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TRADE AND DEVELOPMENT BOARD
Ad Hoc Working Group on Expansion of
Trading Opportunities for
Developing Countries
Third session
Geneva, 28 February 1994

Annex I

CHAIRMAN'S SUMMARY

On the basis of the country presentations, the documentation prepared by the secretariat and other international bodies, the views expressed by the panel of experts, and the discussions of the Ad Hoc Working Group, the Chairperson summed up the results of the session as follows:

I. GLOBAL TRENDS IN THE WORLD ECONOMY AFFECTING THE TRADING OPPORTUNITIES OF DEVELOPING COUNTRIES

1. Although the growth of world output and trade had decelerated in recent years from the 1988 peak owing to the recession in the OECD countries and the sharp contraction of economic activities of Central and Eastern European economies in transition, the prospects for growth of the world economy and trade in coming years was believed to be promising. Economic recovery, now underway in some OECD countries, seemed likely to spread to other OECD countries in the coming years. While the timing of economic recovery in Central and Eastern European economies in transition was difficult to predict, there were nevertheless signs of recovery, however sluggish, in some of these economies.

On the whole, the situation of these countries remained problematic. With respect to the developing countries, their economic and trade performance in the aggregate had been better in recent years than that of the developed countries, thanks to a combination of appropriate domestic policies (including the implementation of structural adjustment programmes), lower long-term world interest rates and a surge in capital inflows. The continuation of these factors in the 1990s would improve the prospects for developing countries. Also, the implementation of the Uruguay Round results would be a positive factor.

2. Despite this favourable outlook for the world economy in the 1990s, the outcome for many developing countries was not without risks posed by a number of factors. For one thing, the economic performance of individual as well as groups of developing countries could vary significantly, leading to a widening gap among these countries; secondly, the international economic climate could take a turn for the worse; thirdly, because of structural changes in the world economy, the international economic environment was becoming more competitive; and, fourthly, notwithstanding the successful conclusion of the Uruguay Round, protectionist pressures could reemerge in case the growth in OECD countries faltered. In addition, the situation of commodity-exporting developing countries which had been adversely affected by the downward trend in real commodity prices over the past decade remained worrisome. These countries continued to lack the resources (financial, human and institutional) necessary to carry out successful diversification programmes. The situation of least developed countries and African countries was noted as particularly precarious. Clearly, expansion of trade was of crucial importance for the economic growth and development of all developing countries.

3. Foreign direct investment and the globalization of production had had a major impact on trading opportunities. There was a qualitative difference in the character of foreign direct investment (FDI) in recent years. A key development in the last ten years had been the movement toward integrated international production systems and marketing by large enterprises. Liberalization of trade and investment facilitated the transfer of technology while the emergence of information technology made global management possible on a day-to-day basis. An important implication of this was that within a corporate network any part of the value-added chain could, in principle, be undertaken anywhere in the world. Experience showed that countries wishing to attract foreign investment needed to have an open economic framework that was stable and predictable, and which allowed transfer of earnings. This implied that Governments needed to be pro-active in a number of areas. A favourable environment included not only liberalization of regulations but also the creation of a supportive infrastructure for domestic production. It was noted, however, that the surge in FDI inflows to developing countries in recent years had been to a limited number of countries.

II. BUILDING EXPORT CAPABILITIES

A. Role of Government

4. Consideration of additional national experiences and country presentations confirmed the general conclusions derived from the Group's discussion at its second session on the role of government in fostering the development of internationally competitive export capabilities in developing countries. In particular, it was felt that Governments had a vital role to play in creating and preserving an enabling environment for private-sector development through the provision of basic public, social and economic services and by removing administrative and legal restraints on the setting up and operation of enterprises. Governments could promote growth in the private sector through human resources development, support for investment and fostering of business networks. A partnership between the public and private sectors was vital for the successful planning and implementation of trade and investment programmes.

B. Foreign exchange

5. A rational foreign-exchange management system which relied on the forces of supply and demand, as well as appropriate monetary policies, were necessary conditions to set the exchange rate for a suitable development of foreign trade (exports and imports). Moreover, such an exchange-rate management system obviated the need for complicated foreign exchange and import control systems to offset the bias against exports of an unrealistically high exchange rate.

C. Human resources development

6. Further emphasis was placed on human resources development through vocational education, higher education and special training of workers to absorb new technologies and skills as a strategic element in building export capabilities.

D. Foreign direct investment

7. It was stressed that foreign direct investment had a major role to play in developing trading relationships. Foreign investment could offer access to new technologies, management skills and export markets. While the decision on where a company should invest was a commercial matter, Governments of both investing and recipient countries had a role to play in providing a framework through agreements

on investment promotion and protection and through the use of aid instruments to facilitate investment in sound projects in markets perceived as difficult.

III. EXPANDING EXPORT MARKET OPPORTUNITIES

A. Environmental measures

8. It was felt that there was a need for more policy analysis and conceptual work in order to contribute to the reconciliation of environmental and trade policies. In addition, there was a need to inform the private sector in developing countries about the new measures and trends in the field of trade and environment in order to ensure an easier compliance with newly established requirements. For example, while efforts should be devoted to making sure that packaging and eco-labelling programmes did not become a new trade barrier, especially for developing countries, these countries also needed support in order to exploit new trading opportunities arising from the certification of products as "environmentally friendly" and to establish their own national eco-labelling programmes.

9. Developing countries also needed to adopt environmental standards in order to forestall imports of environmentally unacceptable products and to avoid the dumping in their markets of goods no longer accepted in the countries of origin.

10. The need for the transfer of technology to developing countries so as to enhance their capacity to produce environmentally friendly products and to promote their trading opportunities was emphasized.

11. In accordance with the mandate of Agenda 21, UNCTAD had an important role to play in conceptualization and policy analysis regarding the interface between environmental measures and trade. Furthermore, the need for greater coordination between UNCTAD and other relevant international bodies, in particular the International Trade Centre (ITC), was stressed. It was noted that UNCTAD and ITC had complementary roles to play in information dissemination and technical assistance for exploiting the new trading opportunities arising from new environmental measures and standards.

B. Regional integration arrangements

12. Rapid extension and intensification of regional integration arrangements throughout all regions had occurred, including the faster extension of groupings formed around major trading nations, the emergence of mixed arrangements between

developing countries and their major trading partners, and a revival of integration among developing countries.

13. The new features of regional integration processes were likely to have important implications for both participating countries and third countries, and, more specifically, for the export opportunities of developing countries.

14. The export opportunities for developing and other countries outside of the regional arrangements were highly dependent on the openness of regional integration schemes. The elimination of intra-regional barriers should be accompanied by the reduction or removal of barriers in trade with third countries. Hence, regional and multilateral approaches should be complementary.

15. Inward-orientation of regional arrangements, however, might affect adversely the trading opportunities of non-member countries.

16. Ideally, regional integration schemes consistent with the multilateral trading system would promote intra-regional trade and, through higher economic growth, also stimulate trade with third countries. In this way, new export opportunities would be created for economies inside and outside such arrangements.

17. The full and speedy implementation of the results of the Uruguay Round could make a significant contribution to enhancing the outward orientation of regional integration groupings.

18. The effects of integration schemes on export opportunities of developing countries also depended on the economic dynamism and competitive strength of the export-supply capabilities of both participating countries and third-country trading partners.

IV. EXPORT PROMOTION AND MARKETING

19. Governments in both developing and developed countries had a role to play in promoting exports from developing countries. They also needed to increase investments in export promotion and marketing activities.

20. Trade promotion agencies of developed countries could assist developing countries to increase their exports through, inter alia, provision of information and promotional assistance, advice to developing-country trade officials, organizations and individual exporters, export management training programmes, as well as the funding of export development projects.

21. The raising of awareness of trading arrangements and sources of advice and assistance needed to be more fully addressed internationally and in this context there was a need to support the aims of the UNCTAD Trade Points initiative.

22. Developing countries needed to give increased attention to human resources development in export management, particularly increasing exporters' professional skills and knowledge of foreign markets. The importance of quality control as an instrument for promoting exports was emphasized, including the need for appropriate mechanisms at the governmental and private sector levels to assure the quality of export products.

23. The capacities and overseas sales channels of foreign firms investing in developing countries also provided a means for export promotion and marketing. Attention should be given to how best the channels of foreign companies could be utilized.

V. Technical cooperation

24. It was felt that technical cooperation - bilateral, regional and multilateral - had an important role to play in helping the developing countries, particularly the least developed countries, to build export capabilities, to identify and respond to export market opportunities, and to strengthen their export promotion and marketing capabilities. Accordingly, it was felt that technical cooperation with developing countries, particularly the least developed countries, needed to be strengthened with a view to enabling these countries to increase their participation in international trade, and to enlarge and improve their export market opportunities. Particular emphasis was placed on the importance of human-resources development and institution-building in all technical cooperation activities in order to expand the trading opportunities of developing countries.

25. It was suggested that there was a need to review the technical cooperation needs of developing countries, and the least developed countries in particular, as well as to review on-going technical assistance programmes in order to identify gaps. It was considered difficult to set priorities. Demand-driven technical assistance could be most effective for beneficiaries. Some areas where technical cooperation could be strengthened were as follows:

(a) Trade and environment:

(i) Regulations affecting trade
(ii) Environmentally friendly products
(iii) Technology, investment, human resources development

(b) Analysis of trade control measures
(c) Utilization of GSP
(d) Implementation of the Uruguay Round results and analysis of post-Uruguay issues
(e) Competition policy and the impact of RBPs
(f) Designing appropriate export strategies
(g) Identification and utilization of trading opportunities arising from regional integration arrangements
(h) Institutional capacity-building.